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ABSTRACT

The results of a reivew by the United States General Accounting Office (GAO), this paper examines the Title XX Program of the Social Security Act and makes suggestions for its improvement. The Title XX Program provides funds to states to enable them to tailor social services programs to fit the needs of local communities. Such services are primarily for the elderly, such as home health aides or adult day care programs, but also include other services, such as child day care and delinquency prevention. The services are provided directly by public agencies or purchased from other agencies. Programs reviewed were offered in New York, Maryland, North Carolina, California, and New Mexico. The GAO found that most contracts awarded to purchase services under Title XX in four of the states visited were stated in such general terms that the states did not know what contractors were committed to deliver or whether commitments were met. The GAO recommends that the Secretary of Health and Human Services improve state contracting by encouraging the use of contracts based on unit prices or specific levels of service and prompt states that authorize elderly persons to hire their own homemaker and chore service providers to monitor the quality of services and assure that the required hours are delivered. (Author/JM)

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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Federal And State Actions Needed To Overcome Problems In Administering The Title XX Program

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Most contracts awarded to purchase services under title XX of the Social Security Act in four of the five States GAO visited were stated in such general terms that the States did not know what contractors were committed to deliver or whether the contractors met their commitments. States reimbursed contractors for the costs billed, up to the contract price, regardless of the units of service delivered.

GAO recommends that the Secretary of Health and Human Services

--improve State contracting by encouraging the use of contracts based on unit prices or specific levels of service and

--encourage States that authorize elderly persons to hire their own homemaker and chore service providers to monitor the quality of services and assure that the required hours are delivered.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-195355

To the President of the Senate and the
Speaker of the House of Representatives

This report describes how the Department of Health and Human Services can help States improve their administration of some programs operated under title XX of the Social Security Act, especially on matters related to contracts awarded by States to purchase social services under the program.

Our review was made at the request of the Chairman, Senate Special Committee on Aging. Because of the broad congressional interest in title XX, the Committee has requested that we issue our report to the Congress.

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Health and Human Services.

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

FEDERAL AND STATE ACTIONS NEEDED TO OVERCOME PROBLEMS IN ADMINISTERING THE TITLE XX PROGRAM

D I G E S T

The title XX program authorized by amendments to the Social Security Act in 1975 enables States to tailor social services programs to fit the needs of people in local communities. Title XX social services are provided directly by public social services agencies or purchased from other public agencies and private profit or nonprofit organizations. (See pp. 1 and 2.)

Most of the contracts awarded to purchase title XX services in the five States GAO visited--New York, Maryland, North Carolina, California, and New Mexico--did not adequately define the units of service purchased. The units of service purchased on 24 of the 42 contracts reviewed were stated in such general terms that the States did not know what contractors were committed to deliver and, thus, whether they met their commitments. The States reimbursed contractors for the costs they billed, up to the contract price, regardless of the units of service delivered. (See p. 6.)

The States must fund about 25 percent of their title XX program costs. States may use certified expenditures (a State public agency may certify that funds were expended for a title XX program) for matching purposes. Most certified expenditures used in New Mexico for matching purposes on the contracts in GAO's sample were questionable project costs. The expenses New Mexico public agencies used as certified expenditures were only incidentally related to the contractor's program on which they were used for matching purposes and would have been incurred by the public agency regardless of whether the title XX contracts

had been awarded. Consequently, New Mexico was apparently not providing its share of all title XX expenditures.

On June 10, 1980, the Department of Health and Human Services (HHS) 1/ issued a Guide to Federal Financial Participation under title XX which provides that expenditures of public agencies may be certified as matching under title XX if the expenditures of the public agency are (1) made on behalf of the title XX program and based on an approved cost allocation plan and (2) charged to the title XX program.

GAO believes that the instruction in the Guide now provides guidance to the States as to the allowability of public agency certified expenditures. This guidance, coupled with indepth reviews of the State cost allocation plans, should help to preclude the improper charging of certified expenditures to the title XX program.

HHS also stated that New Mexico needs to more clearly document that certified expenditures were authorized, beneficial, and covered by a contract. HHS said that it called this documentation problem to the State's attention in early 1977 and it is still working with the State to assure implementation of a corrective action plan. (See p. 19.)

California was the only State visited that had a major program under which in-home services for the elderly were provided by persons hired directly by the elderly. Because of the interest the Senate Special Committee on Aging expressed in the quality

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1/On May 4, 1980, a separate Department of Education commenced operating. Before that date the activities discussed in this report were the responsibility of the Department of Health, Education, and Welfare.

of services provided under such a program, GAO interviewed 100 clients receiving such services. GAO found that the elderly were generally satisfied with the services received. However, two of the elderly visited were allegedly robbed by their service providers.

Of two California counties GAO visited which provided in-home services to the elderly, only one monitored the quality of the services provided under the program, and neither county had a formal method of recording the hours of service provided to the elderly. The counties relied on signed statements by the clients to assure that service providers delivered the hours of service for which they were paid. Many clients did not maintain a formal record of the hours of service received. (See p. 23.)

RECOMMENDATIONS TO THE SECRETARY OF HHS

The Secretary should:

--Direct HHS regional offices to encourage States to use contracts based on unit prices or specific levels of services to purchase social services under the title XX program, and give the States whatever technical assistance is needed to develop reasonable units of measurement for the various services.

--Direct HHS regional offices to encourage States that authorize persons to hire their own service providers to institute a system that monitors the quality of services and assures that the required hours of service are delivered.

HHS AND STATE COMMENTS

HHS agreed with GAO's recommendations to encourage and assist States to (1) use contracts based on unit prices or specific levels of services and (2) institute a system that

monitors the quality of services and assures that the required hours of service are delivered to elderly persons authorized to hire their own service providers. However, regarding GAO's suggestion in the draft report to amend their regulations governing the use of certified expenditures for matching purposes, HHS told GAO their recently issued Guide to Federal Financial Participation provides the proper guidance. GAO agrees that this guidance, coupled with indepth reviews of the State cost allocation plans, should help preclude the improper charging of certified expenditures to the title XX program. (See app. V.)

A recommendation relating to an issue no longer in the report is being further analyzed by GAO and will be reported on at a later date. (See footnote to app. V.)

The five State agencies provided comments. California and New Mexico agreed with the report, and Maryland and North Carolina disagreed with the emphasis on the level of service since there is no legal requirement that the level of services be specified. New York's comments related to an issue that is no longer in the report. (See footnote to app. V.)

Maryland said that HHS has never provided it with the guidance on levels of service; this guidance is now provided in HHS' Guide to Federal Financial Participation. North Carolina objected to the implication that contracts cannot be monitored unless the level of service is specified. GAO believes a State's ability to monitor contracts is directly related to how well the level of service is specified in the contract, because of the need to have measurable commitments for the contractor. (See apps. VI to VIII.)

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ABBREVIATIONS

GAO	General Accounting Office
HHS	Department of Health and Human Services

CHAPTER 1

INTRODUCTION

The Chairman, Senate Special Committee on Aging, in a December 20, 1978, letter, asked us to make an indepth review of the administration and management of title XX contractor activities. The Committee was concerned that the elderly and other needy persons may not be getting full benefits from the title XX program because of deficiencies in contractor operations. The Committee was especially concerned about the administration of programs which provided in-home services to the elderly.

THE TITLE XX PROGRAM

In 1975 the Congress amended the Social Security Act by adding a new provision, title XX, authorizing and delineating a comprehensive program of social services intended to attain the following five broad national goals:

--To help people become or remain economically self-supporting.

--To help people become or remain self-sufficient (able to take care of themselves).

--To protect children and adults who cannot protect themselves from abuse, neglect, and exploitation, and to help families stay together.

--To prevent and reduce inappropriate institutional care as much as possible by making home and community services available.

--To arrange for appropriate placement and services in an institution when in an individual's best interest.

Title XX permits States and their citizens to make social services programs fit the needs of people in local communities. In a State's plan, every service must be directed toward at least one of the above goals, and at least one service must be directed toward each goal. At least three services must be available for Supplemental Security Income beneficiaries.

States, under title XX, may offer one or more services to anyone who receives cash payments under the Aid to Families With Dependent Children or Supplemental Security Income programs, and to persons whose income does not exceed 115 percent of the State's median income adjusted for family size. To help States develop social services programs, the Federal Government pays 90 percent of the family planning costs and 75 percent of all other social services program costs up to the State's title XX allocation.

The Federal Government budgeted $2.7 billion for the title XX program during fiscal year 1979, and earmarked an additional $200 million specifically for day care. Federal title XX funds are allocated among the States on the basis of their populations.

DELIVERY OF TITLE XX SOCIAL SERVICES

Title XX social services are delivered by public social services agencies, other public agencies, or private profit and nonprofit organizations. Services not delivered directly by the public social services agencies are referred to as purchased services. Title XX services are purchased from public agencies, private profit or nonprofit organizations.

The five States we visited (California, New York, North Carolina, Maryland, and New Mexico) expected to receive about $590 million collectively 1/ in title XX funds during fiscal year 1979. About $256 million of such funds was expected to be used to purchase social services from public agencies and profit or nonprofit organizations. The portion of title XX funds used to contract for services ranged from about 9 percent in North Carolina to 56 percent in New Mexico.

1/This amount is based on States' title XX Comprehensive Annual Service Plans.

ADMINISTRATION OF THE TITLE XX PROGRAM

The Office of Human Development Services of the Department of Health and Human Services (HHS) 1/ is responsible for administering the title XX program at the Federal level. HHS is responsible for

--evaluating State programs and

--providing technical assistance to States on the content of their service programs and on planning, reporting, administration, and evaluation of the programs.

OBJECTIVES, SCOPE, AND METHODOLOGY

We evaluated the administration of contracts awarded to public agencies, profit and nonprofit organizations, and individuals. In accordance with the Chairman's request, our objectives were to determine:

--Contractor selection practices.

--Reasonableness of contract pricing practices.

--Contract monitoring practices.

--Practices used to provide funds for matching purposes.

--Methods used to coordinate the delivery of social services.

Our work was done primarily at the public social services agencies in New York City, New York; Baltimore City, Maryland; Wake and Guilford Counties, North Carolina; San Francisco, San Mateo, Santa Clara, and Alameda Counties, California; and Santa Fe, Bernalillo, Dona Ana, and Luna Counties, New Mexico.

We reviewed 42 contracts costing about $20 million during fiscal year 1979. The method used for selecting the sample of contracts in each State and the number of contracts

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1/On May 4, 1980, a separate Department of Education commenced operating. Before that date the activities discussed in this report were the responsibility of the Department of Health, Education, and Welfare.

reviewed depended on the nature of the State's contracting activities. The methodology used in each State is presented in appendix I. In summary, we judgmentally selected a sample in each State that permitted us to evaluate its contracting practices. The portion of fiscal year 1979 contracting activity reviewed ranged from about 4 percent in New York to 24 percent in New Mexico. The contracts we reviewed in Maryland and New Mexico were awarded by the State title XX agency. The contracts we reviewed in California, 1/ New York, and North Carolina were awarded by the local public social services agency. When we refer to the city or county in these States, we are referring to the local social services agency.

We conducted our review at social services departments responsible for administering the title XX program in these States, and at the offices of various contractors selected for review. In addition, we did work at HHS headquarters and regional offices. We did our fieldwork from May to September 1979. We reviewed contract files maintained by State social services departments, financial and statistical reports submitted by contractors, and case files maintained by contractors. We also interviewed HHS, State, and local officials responsible for administering the title XX program. Audit reports issued by HHS' audit agency were also examined.

AGENCY COMMENTS

HHS agreed with our recommendations to encourage and assist States to (1) use contracts based on unit prices or specific levels of services and (2) institute a system that monitors the quality of services and assures that the required hours of service are delivered to elderly persons authorized to hire their own service providers. However, regarding our suggestion in the draft report to amend their regulations governing the use of certified expenditures for matching purposes, HHS told us their recently issued Guide to Federal Financial Participation provides the proper guidance. We agree that this guidance, coupled with indepth reviews of the State cost allocation plans, should help preclude the improper charging of certified expenditures to the

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1/Except for two contracts awarded by the State Department of Education.

title XX program. Specific comments are summarized immediately after each recommendation. 1/ (See app. V.)

STATE COMMENTS

We provided copies of our draft report to the title XX agency director in each of the five States reviewed. Each State was asked to review the report and comment within 30 days.

Four of the five States--Maryland, New York, 1/ New Mexico, and North Carolina--provided written comments on our draft report. The written comments from Maryland and North Carolina are summarized where appropriate in the report, and are included as appendixes VI and VIII.

In commenting orally on our report on April 30, 1980, the deputy director of the Adult and Family Services Division, California Department of Social Services, agreed with the thrust of our conclusions and recommendations.

By letter dated September 19, 1980, New Mexico officials stated that in general they concurred that the program should be reevaluated by the administration and the Congress.

The officials stated that, since our initial review and evaluation of the program, HHS has made substantial improvement in both the program and financial management of its social services programs. They said they intended to continue their endeavors to resolve the various issues and problems and perhaps avoid future mistakes. (See app. VII.)

1/One of the recommendations relates to an issue that is no longer in the report. The issue is being further analyzed and will be reported on at a later date. Comments provided by New York were related to the same issue. (See footnote on p. 35.)

CHAPTER 2

STATEMENT OF WORK IN MOST TITLE XX CONTRACTS WAS INADEQUATE

The statement of work on 24 of the 42 contracts we reviewed stated only the contractors' commitments in terms of the number of clients that were to receive services. The contracts did not specify the units of services that contractors were to deliver. Therefore, States did not know whether funds were used in the most effective manner because:

--Contractors were not required to deliver specific units of services.

--Contractors were reimbursed for all costs billed, up to the contract amount, without regard to the units of services provided.

--States did not know what contractors were committed to deliver and whether they met their commitments.

The other 18 contracts we reviewed were based on unit prices or required a specific level of services. These contracts provided that contractors were to be reimbursed on the basis of the level of services delivered.

STATE CONTRACTING PRACTICES

The title XX procurement standards included in title 45 1/ of the Code of Federal Regulations specify that purchase of service contracts provide for a stated number of units at a specified dollar rate, or for a specific dollar amount, or for costs to be determined in accordance with acceptable cost allocation methods. All States we visited purchased either a stated number of units at a specified unit price or a stated number of units at a specified dollar amount. The latter type of contract stated the number of units of service purchased in either specific or general terms and, thus, met the basic requirements of the regulations. However, as discussed in the following section, we do not believe these contracts provided States with an adequate basis for monitoring contract performance because there was no basis for determining what was

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1/This title concerns public welfare.

purchased or delivered. The following schedule shows the types of contracts in our sample of 42 contracts.

State	Number of contracts based on General level of services	Unit prices	Specific level of services	Total contracts
New Mexico	10	2	0	12
Maryland	7	3	0	10
North Carolina	5	0	3	8
California	0	4	2	6
New York	2	2	2	6
Total	24	11	7	42
Estimated 1979 costs	$6,400,000	$8,300,000	$5,300,000	$20,000,000

The details on these contracts are presented in appendixes II, III, and IV.

CONTRACTS REQUIRING A GENERAL LEVEL OF SERVICES DID NOT PROVIDE AN ADEQUATE BASIS FOR DETERMINING SERVICES PURCHASED OR DELIVERED

Four States awarded contracts that did not adequately define services purchased. These contracts specified the maximum amount that contractors could be reimbursed and the number of clients that were expected to receive services. However, none of the 24 contracts specified the level of services that clients were to receive. Officials in these States agreed that the number of clients receiving services was not an adequate unit of measurement. They said such contracts did not provide a basis for determining the level of services contractors delivered. Without a clear statement of what constitutes a unit of service for each service purchased, the States do not have an adequate basis for monitoring contractor performance.

New Mexico

This State did not specifically define what constituted a unit of service in 10 of the 12 contracts we reviewed. These contracts specified the maximum amount that the contractors could be reimbursed and the number of persons that were to receive services. Although State officials knew how

many persons were receiving services, they did not know what levels of services the contractors were delivering.

Adult day care

New Mexico was purchasing adult day care in four of the contracts we sampled. Although the contracts specified the number of persons that were to receive day care, they did not define what constituted a day-care day. Thus, contractors used their own definitions of a day-care day for purposes of reporting to the State the number of persons receiving services. One contractor defined a "client day" as a minimum of 4 hours plus attending the noon meal. The other three contractors required only that a client attend the day-care center for any part of a day.

Homemaker services

New Mexico purchased homemaker services from three of the contractors in our sample. Homemaker services consisted of routine housekeeping activities, such as making beds, dusting, washing dishes, mopping, and doing laundry for clients. The three contractors visited used different levels of service for reporting the number of clients served. The three levels of service were:

--If a client received an eligible service during the month.

--If a home health aide was assigned to a household 2 to 3 days a week for 2 hours.

--If a client received 4 hours of activity.

The contractors reported the number of clients who received homemaker or day-care services to the State. Such reporting did not inform the State of the level of services provided because the State had not established, and the contractors did not use, a common measurement for a unit of service.

The contractors were reimbursed based on the costs billed rather than the services delivered. They submitted one or more reimbursement vouchers to the State each month. The State paid the vouchers after they were certified for payment by the appropriate contract manager. The contract manager's certification was not conditioned on any prescribed minimum amount of service delivered by the contractor.

For example, one contractor's December 1978 bill amounted to $12,947 with supporting documentation showing such costs were incurred as follows:

Wages	$11,740
Travel	769
Indirect cost	300
Maintenance	83
Benefits	55
Total	$12,947

The above voucher was paid by the State after it was certified for payment by the contract manager. The contract manager certified that the reimbursement request expenditures were program related. 1/ The certification was not based on the level of services delivered.

A county field office manager said that vouchers were routinely paid before the monthly activity reports were due from the contractors. The manager said that the State could not determine whether a given contractor had delivered the level of services purchased. He said contract managers would have a difficult, if not impossible, task of verifying contractor performance because the contracts did not specify the level of services to be measured. The contract managers generally certified the vouchers for payment after assuring that they were arithmetically correct and cost allocations were as agreed upon in the contractor's budget.

State officials agreed that the statements of work in their title XX contracts do not provide an adequate basis for determining what is purchased or assuring that they received what was paid for.

Maryland

Maryland did not specifically define what constituted a unit of service in 7 of the 10 contracts in our sample. These contracts specified the maximum that contractors could be reimbursed. The contracts did not directly state the

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1/In this review we evaluated the adequacy of the documentation supporting the billings, but not the accuracy of documentation.

number of persons that were to receive services. However, the contractors' proposals were incorporated into the contracts by reference, and the proposals showed the number of persons that contractors expected to serve. On those contracts the State knew how many persons received services, but did not know the level of services they received. Thus, the State did not know what level of services it received for the amount paid the contractors. The following example illustrates the nature of these contracts.

One contractor received a contract authorizing payments for costs up to $148,000 for providing homemaker or chore services 1/ to 128 individuals and family services to 176 individuals per year. The cost of these services, based on the contractor's budget, was about $700 per client for homemaker chore services and $300 per client for services to families. The proposal defined the services but did not indicate how much time the contractor should spend in providing these services to each client. This contractor's quarterly reports to the State regarding social services did not show the level of services delivered. It showed only how many cases were

--continued from last period,

--initiated during current period,

--closed during current period, and

--continued to next period.

Our review of case files indicated that each client received the level of services the caseworkers thought was appropriate. The contractor was reimbursed for costs billed, up to the value of the contract, based on monthly expenditure reports. We were advised that expenditure reports were reviewed during periodic audits of the contractor's operations. A State contracting official believed that recording the number of clients served was necessary to show how many persons were provided services. However, he agreed that the number of clients served was not an adequate unit of measurement for social services.

1/Chore services involve household tasks, essential shopping, simple household repairs, or other light housework necessary to enable individuals to remain in their own homes when they are unable to perform such tasks and the services of a trained homemaker are not required.

North Carolina

This State did not specifically define what constituted a unit of service in five of the eight contracts in our sample. These contracts merely specified the maximum amount the contractors could be reimbursed and projected the number of clients that were to receive services. Contractors were reimbursed for costs incurred regardless of the level of services delivered, provided they had not exceeded their specific budget category or overall contract amount. The following North Carolina contract illustrates this type of situation.

This contractor was awarded a contract to provide the following services:

Service	Total number of clients to be served annually
Chore	18
Child day care	75
Delinquency prevention service	30
Education support	50
Employment and training	60
Health support	200
Homemaker	200
Home management and maintenance	100
Housing and home improvement	50
Protective services--adults	10
Protective services--children	40
Casework services to enable individuals to remain in their own homes	150
Social development through therapeutic group services	75
Transportation	200
Services to meet special needs of aging, disabled, or handicapped	75
Information and referral services	500

The contractor would be paid about $105,000 for providing these services. We could not evaluate the reasonableness of this price. Although the contract stated the number of clients that were to receive each service, it did not define a unit of service. For example, 150 clients were to receive casework services enabling them to remain in their home;

however, the contract did not explain what constituted a unit of casework services. Without a clear definition of a unit of service for each service provided, it is impossible to determine what the State is actually purchasing from the contractor and, thus, to evaluate the reasonableness of the cost of the services.

The State reimbursed the contractor for costs incurred up to the contract price, without regard to the level of services delivered. Each month the contractor billed the State for costs incurred. The State reimbursed the contractor for such costs after reviewing the reported cost data for arithmetic accuracy and assuring that the contractor had not exceeded the contract amount or the line item amount in its budget. Although the contractor submitted a report to the State showing the number of clients who had received services, these data were of little use to the State because it did not know how the contractor was defining a unit of service. For example, the April 1979 report showed that one client had received two units of transportation, five units of health support services, three units of educational support services, and one unit of delinquency prevention. This type of reporting did not inform the State of the level of services provided to the client. We were informed that such contractors would be paid for allowable costs regardless of the number of clients served.

North Carolina officials were uncertain how the five contractors were defining reported units of service. A State official said that they were attempting to define meaningful units of service that would be universally acceptable statewide. He did not know whether it would be practical to purchase all services on the basis of unit prices. Nevertheless, he endorsed unit pricing for most contracts as a way of assuring contractor performance, and said that the State is currently moving in that direction.

New York

New York City did not specifically define the level of services it was buying on two of the six contracts in our sample. These contracts stated the maximum amount that the contractors could be reimbursed and identified the 12 services that the contractors were expected to deliver. The contracts generally did not state the number of persons to receive services.

New York City used contracts that did not require a specific level of services to purchase group social services for senior citizens. Each of the two contracts (for group social services) in our sample required the contractor to provide 12 different services. As shown below, the contracts generally did not specify the level of services to be delivered.

Service	Contract specified a level of service	
	Contractor A	Contractor B
Information and referral	Yes	No
Nutrition (meals)	No	Yes
Counseling	Yes	No
Employment counseling	No	No
Recreational and educational program	No	Yes
Transportation	No	No
Health maintenance	No	No
Community service volunteer opportunities	No	No
Leadership development	No	No
Facilitation of other agencies' services	No	No
Advocacy	No	No
Outreach	No	No

New York City did not know what level of services the contractors were providing. Although the contractors were required to submit data showing the number of service contacts made for five services (meals, information and referral, counseling, transportation, and group activities), the data the contractors submitted were generally not being used. The city was to process the raw data sent by the contractors and prepare reports showing the number of service contacts made. The data were entered into the computer system, but programs were not developed to use them. City officials said the computerized system that processed the contract activity measurement data had been out of order since 1975. They said the project did not have a high priority and had been affected by technical problems and the city's financial crisis.

New York City reimbursed these contractors on the basis of the costs they incurred, rather than the services they delivered. Each month the city generally advanced the contractors an amount equal to about one-twelfth of the contract

price. City officials said that they relied on periodic audits by certified public accountants to determine the propriety of the amounts paid the contractors.

CONTRACTS BASED ON UNIT PRICES OR A SPECIFIC LEVEL OF EFFORT PROVIDED AN ADEQUATE BASIS FOR MONITORING CONTRACTOR PERFORMANCE

States knew specifically what levels of services they were buying on contracts that were based on unit prices or required a specific level of effort. On such contracts, States had an adequate basis for monitoring contractor performance and assuring that they were reimbursed only for the level of service delivered.

Contracts based on unit prices

Our sample of 42 contracts included 11 that were based on unit prices. These contracts were awarded in New York, California, Maryland, and New Mexico. The circumstances regarding the contracts reviewed in California demonstrate how such contracts provide an adequate basis for monitoring contractor performance.

We reviewed four California contracts that were based on unit prices. The unit of service in each of the contracts was 1 hour. Contractors were reimbursed for the number of service hours delivered, based on the hourly rate specified in the contracts. The contractors submitted monthly or semimonthly billings which showed the number of hours of service delivered to each client. The counties reimbursed the contractors for the hours billed after verifying that the hours of service provided each client did not exceed the hours of service authorized. The hours billed by the contractors were supported by worker timesheets, which generally were required to be signed by the service provider and the client. We traced the hours billed by the contractors to the worker timesheets for a sample of 75 clients on the contracts reviewed. The contractors' records supported the hours billed.

Contracts based on specific levels of effort

Three States we visited (North Carolina, New York, and California) awarded contracts based on levels of effort.

These contractors were reimbursed for the costs they incurred up to the contract price. In New York and California, the contract price was adjusted if contractors did not deliver the specified level of service. North Carolina paid the contract amounts without determining whether contractors met their commitments.

New York and California

Our sample of contracts included two awarded by New York City and two awarded by the California Department of Education that specifically defined the levels of services purchased. The following illustrates how this type of contract was administered in these States.

The California Department of Education 1/ used contracts that specifically defined the level of services to purchase child day-care services. The specific level of services purchased was stated in terms of average daily attendance; that is, the number of children provided day care by the contractor during the contract period must average out to a specific daily attendance rate. The contracts specified what constituted a day-care day. The contractors providing day care were required to submit monthly or quarterly activity reports that showed the number of children receiving day care. The contractors also submitted monthly or quarterly expenditure reports that showed amounts spent under various cost categories, and were then reimbursed for costs billed, provided they had not exceeded the contract price. The State made a pro rata reduction in the contractor's budget if the required level of services was not delivered.

North Carolina

North Carolina required a specific level of service on three of the eight contracts in our sample. The State reimbursed the contractors for costs incurred, up to the contract amount, without determining whether the contractor was delivering the required level of services. Monthly reimbursements and monitoring are separate functions in North Carolina. Each month the contractors billed the State for costs they incurred. The amount billed was supported by a document that showed the amount spent under each cost category included in the contractor's budget that had been established

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1/This department administers the title XX day-care program.

when the contract price was negotiated. The State reimbursed the contractors, regardless of the level of services provided, after reviewing the reported data for arithmetic accuracy and assuring that the contractors had not exceeded specific budget categories or overall contract amounts. Monitoring for all phases of contract compliance is based on onsite reviews of programs and their records. Our review of 1 month's activity indicated that the contractors were generally delivering the level of services specified in their contracts. For instance, one contractor was required to deliver 60 meals per day, 5 days per week. This contractor would have been required to serve 1,260 meals during April 1979--the month we selected for review. The report submitted by this contractor for April 1979 showed it had served meals to 1,451 eligible title XX persons.

CONCLUSIONS

The States we visited had most control over those contracts that either were based on unit prices or required the delivery of a specific level of services. These contracts specifically defined what the States were purchasing and provided an adequate basis for determining whether contractors met their commitments. States face a difficult task in administering contracts that do not specifically define the levels of services to be delivered; that is, contracts that state only the number of clients to receive services. Nevertheless, this type was the most widely used in four of the five States. In our opinion, States which used such contracts did not know what levels of services were purchased or delivered. Without a clear definition of what constitutes a unit of service, it is quite difficult, if not impossible, to determine what the States are buying and what the contractors are delivering.

RECOMMENDATION TO THE SECRETARY OF HHS

We recommend that the Secretary direct HHS regional offices to encourage States to use contracts based on unit prices or specific levels of services in purchasing social services under the title XX program. The regional offices should also be directed to give States technical assistance to develop reasonable units of measurement for various services.

AGENCY COMMENTS AND OUR EVALUATION

HHS concurred with our recommendation and has issued a title XX Guide to Federal Financial Participation and is currently developing an accompanying handbook to all States. The Guide and handbook will be used to help States deal with methods for determining units of service in contracts, rate-setting, and contract pricing.

In addition, the Department's Management Improvement Initiative staff will review procedures in selected States with the objective of identifying and correcting management problems by providing technical assistance. The study will include the process followed in negotiating and setting payment rates.

STATE COMMENTS AND OUR EVALUATION

Maryland

The Assistant Secretary of Program Planning and Evaluation, Department of Human Resources, in a letter dated April 29, 1980, stated that she agreed with our finding that the level of services was not specified in some of the contracts. The official commented, however, that the report placed too much emphasis on the level of service and did not highlight the fact that there is no legal requirement that the level of service be specified. As a result, the official said, the State is not out of compliance with the law, but instead did not meet our criteria. The official added that, since the inception of title XX and prior to that time under title IV-A, HHS has never provided the State with any instructions or guidance on this issue.

We agree with the State that it was not out of compliance with the law and that the criteria used in determining the adequacy of contract provisions regarding the delivery of services were developed by us. As previously discussed, HHS, in response to our recommendation, recognizes the need to assist States in this area and stated that it would soon be issuing a title XX Guide to Federal Financial Participation to all States. (The Guide was issued on June 10, 1980.) According to HHS, this Guide is designed to help State officials interpret the title XX procurement standards, including requirements for determining the units of service in contracts and contract pricing.

North Carolina

The Secretary of the North Carolina Department of Human Resources by letter dated April 30, 1980, stated that, by its own initiative, the State was attempting to address many of the issues discussed in our report. However, the official took issue with the assertion that defining units of service would seem to be the primary action needed by the State to overcome problems in administering the title XX program.

The Secretary objected to the report's implication that contracts which do not provide a stated number of units of services cannot be monitored and that the State agency cannot judge the contractor's performance. The official stated that her agency had more than adequate monitoring capability, and that through this function they were able to get a good handle on the performance of their contractors.

We do not question that North Carolina had an adequate capability to monitor contractor performance. We believe, however, it is difficult for a monitor to effectively assess contractor performance when the level of services contractors were committed to deliver is not stated in the contract. The State's title XX contracts we reviewed did not generally define the contractors' commitments in measurable terms. Statements of work that only require contractors to serve a specified number of clients impose no measurable commitment on them unless they also specify the level of service the clients were supposed to receive.

CHAPTER 3

STATES SHOULD IMPROVE ADMINISTRATIVE PRACTICES

Our review disclosed a number of administrative practices that needed improvement. These practices are summarized below.

--Questionable use of certified expenditures for matching purposes in New Mexico.

--Inadequate monitoring and cost control in the in-home services program in California.

QUESTIONABLE USE OF CERTIFIED EXPENDITURES FOR STATE MATCHING

Federal regulations permit States to consider funds spent for social services by their various public agencies as title XX expenditures for matching purposes. New Mexico's policies and practices regarding the use of expenditures by State universities or colleges, for matching purposes, were inadequate because they permitted such agencies to certify expenditures on behalf of specific contractors, although

--they were for services only incidentally related to the contractors' program,

--such costs would have been incurred regardless of whether the title XX contracts had been awarded, and

--the costs and related services were not included in the proposals of the contractors on whose behalf they were used for matching purposes.

Consequently, this State was apparently not matching the title XX expenditures on 6 of the 12 contracts included in our sample.

Title 45, section 228.53, of the Code of Federal Regulations provides that funds spent by a public agency may be considered as the State's share in claiming Federal financial participation if they are certified by the contributing public agency as representing expenditures for services eligible for Federal financial participation under the title XX program. These costs are normally referred to as certified expenditures.

The 12 contracts we reviewed in New Mexico required about $540,000 in State matching funds in fiscal year 1979. The State estimated certified expenditures by State universities, colleges, or public school districts to be about $239,000 of the matching funds for five of the contracts in our sample. As demonstrated below, the expenditure was apparently not directly related to the various projects used for matching purposes, and the public agency involved would have incurred the expenses regardless of whether the title XX contract had been awarded.

Costs certified by universities and colleges

The State records on the contracts we reviewed identified various State universities and colleges that had agreed to certify expenditures of about $131,400 during fiscal year 1979 for State matching purposes. About $115,000 was to be certified on behalf of one contractor. 1/ The State awarded this contractor three contracts. The State's total commitment for funding title XX projects was $560,000. The project costs were to be funded by title XX ($420,000) and the contractor's cash matching funds ($25,000). This contractor's expenditures required about $115,000 in additional matching funds. This match involved having contractor employees attend classes at various State universities or colleges. The employees generally only "audited" 2/ the courses and did not receive grades. The schools computed the State-funded costs of the courses and reported them to the State as certified expenses.

A State contracting official questioned the training that the contractor's employees had received over the past several years as either unnecessary or unbeneficial to the title XX program. He believed the contractor's staff attended the training courses primarily to provide the local match. We asked the official why the State still permitted the contractor to use such training expenditures as a match, since they were neither necessary nor beneficial. He said that the State had set a precedent by accepting past certified expenditures from State schools, and HHS had not questioned them.

1/In this State, each contract package identified who would provide the required matching funds for the contract expenditures.

2/They did not attend the classes for credit.

Costs certified by public school systems

Public school systems were committed to provide $107,000 in certified expenditures for matching purposes on the contracts we reviewed. We reviewed State matching practices for the two contractors whose title XX expenditures were matched with these certified expenditures. Most of the costs used as certified expenditures were based on the value of time various employees allocated to the title XX program. These employees were performing the routine duties associated with their positions as superintendents, principals, counselors, etc. The following example illustrates how the State used portions of the salaries paid such employees as certified expenditures for matching purposes.

One contractor was a nonprofit organization that was awarded about $80,700 in fiscal year 1979 to provide the following services:

Services	Amount
Adult chore services	$24,200
Elderly chore services	17,000
Counseling--adult and youth	17,700
Youth services	21,800
Total	$80,700

The above contract required about $31,000 in State matching funds. The local school district agreed to provide certified expenditures equal to the required match on the contract. The certified expenditures represented the cost of the time which would be allocated to the title XX program by the following staff.

School personnel	Amount
Superintendents	$10,000
Principals	10,000
Counselors	8,000
Nurse	3,000
Total	a/$31,000

a/This cost was not reflected in the project budget.

We interviewed a teacher, a principal, and a counselor whose time was being allocated to the title XX program as certified expenditures. They told us that they were not performing additional duties because of the title XX program and that, if the program were terminated, they would still perform the same functions and work with the same students.

CONCLUSIONS

Federal regulations do not adequately define the types of costs that public agencies may certify as expenditures for services eligible for Federal financial participation under the title XX program. We believe public agencies should be permitted to certify only costs that they financed which are directly related to the title XX projects. We believe that most of the certified expenses used by New Mexico for matching purposes on 6 of the 12 contracts we reviewed were not valid project costs and should not have been accepted by HHS as matching funds.

OUR SUGGESTION AND AGENCY COMMENTS

We suggested that the Secretary amend the regulations governing the use of certified expenditures for matching purposes to assure that only valid project costs are certified for matching purposes. The regulations should prohibit a State from using, as certified expenses, costs that are not included in a contractor's budget for a title XX contract. HHS did not believe it was necessary to amend the regulations but stated that its soon to be released Guide to Federal Financial Participation under title XX will make it clear that expenditures certified by another public agency may be used as a non-Federal matching source provided they are documented costs and incurred under a purchase of service or administrative support agreement with that public agency.

Subsequently, on June 10, 1980, HHS issued the Guide. The Guide provides that expenditures of public agencies may be certified as matching under title XX if the expenditures of the public agency (1) are made on behalf of the title XX program and based on an approved cost allocation plan and (2) charged to the title XX program.

We believe that the instruction in the Guide provides adequate guidance to States as to the allowability of public agency certified expenditures. This guidance, coupled with indepth reviews of the State cost allocation plans, should

help to preclude the questionable charging of certified expenditures to the title XX program. For these reasons, the recommendations in appendix V is no longer in the report.

HHS also stated that there is a need for New Mexico to more clearly document that certified expenditures were authorized, beneficial, and covered by a contract. HHS said that it called this documentation problem to the State's attention in early 1977 and it is still working with the State to assure implementation of a corrective action plan.

THE ELDERLY GENERALLY ARE SATISFIED WITH THE IN-HOME SERVICES PROGRAM, BUT IMPROVEMENTS CAN BE MADE

California was the only State visited that had a major program under which in-home services for the elderly were provided by persons hired directly by the elderly. Because of the interest expressed by the Senate Special Committee on Aging in the quality of service provided under such a program, we interviewed 100 clients receiving such services. The elderly were generally satisfied with the services they received; however, a few we visited had been abused by their service providers. Of the four counties visited in California, only two provided in-home services for the elderly. Of these two, only one monitored the quality of services provided under the program, and neither had adequate support for costs incurred under the program.

In-home supportive services were provided in California to enable persons to remain in their homes. Two types of services were provided under the title XX program--homemaker and chore services. 1/ Homemaker services generally involve personal care activities, such as bathing, grooming, dressing, and helping persons take medication. These services must be provided by trained homemakers. Chore services involve household tasks, essential shopping, simple household repairs, or other light housework to enable individuals to remain in their homes when they are unable to perform such tasks and the services of a trained homemaker are not required.

1/The State title XX plan incorporates both of these services under the term "in-home supportive services"; however, these individual terms were still used on the contracts we reviewed.

Individual providers delivered a significant amount of in-home services in California. We reviewed this program in two of the four counties visited--Alameda and San Francisco Counties--which provided in-home services to the elderly. These counties expected to spend about $19 million for such services during fiscal year 1979. We were advised that the counties used individual providers for in-home services because such services are delivered at lower costs. During our review, individual providers were paid $3.25 per hour. The lowest rate paid any of the contractors we reviewed to provide in-home supportive services was $4.41 per hour.

Clients generally satisfied with services

The elderly were generally satisfied with the services they received. Only 5 of 100 persons interviewed were dissatisfied with their current service provider or had been dissatisfied with someone they had employed. Recipients of Supplemental Security Income accounted for 93 of 100 persons in our sample.

Two persons interviewed had traumatic experiences with previous service providers; both had allegedly been robbed of money or personal belongings. Three persons were dissatisfied with their current service providers. In one instance, the choreworker would not work the number of hours for which she was paid. One client believed the provider was too young and inexperienced to render suitable services. Another client had a choreworker who was very temperamental and, when upset, would sulk and ignore the client. While such situations cannot be entirely eliminated, we believe that implementation of the recommendation on page 26 would soften their impact.

Counties did not always monitor the in-home services program

Only one of two counties visited had a system to monitor the quality of in-home services rendered by individual providers. This county had established a monitoring unit in July 1978 that included six monitors who were former homemakers. One function of the monitors was to assess whether the services and hours authorized by the social workers were appropriate. A second duty was to determine whether the choreworkers were performing satisfactory services for their clients. The unit supervisor believed that they had monitored about 2,000 of the 4,500 in-home supportive services cases in the county since

the unit was established. One factor that limited some cases monitored was that, shortly after the unit was established, the monitors were used for about 4 months to help social workers make needs assessments and eligibility recertifications. The county was behind in performing both of these activities. The second county visited did not monitor this program.

Need for more control over program costs

Neither of the two counties required clients to formally document hours worked by their choreworkers. The counties routinely issued clients a check on behalf of the choreworker, based on a signed statement by the client that authorized services had been provided. Many clients interviewed lacked records to support the certification.

A client's need for in-home supportive services was based on a needs assessment by the local public social services agency. Agency caseworkers determined how many hours (per month) of assistance the client needed. The client was then authorized to purchase that number of service hours. Each month, the clients certify to the county whether their service providers delivered the authorized service hours. Based on this certification, the county issues a check for the value of services. Fifty-six percent of the persons in our sample maintained written records on the number of hours that their service providers worked. The others either relied on their memory or did not keep track of the hours worked.

CONCLUSIONS

Although most of the persons we interviewed were generally satisfied with the services received, California officials had little assurance that individual providers delivered a suitable quality of service or that they delivered the number of hours of service for which they were paid. States using individual providers to deliver a significant amount of homemaker or chore services should take action to assure that they deliver a suitable quality of service and work the number of hours for which they are paid. Actions the States could take include:

--Maintaining local lists of suitable potential service providers from which persons could select.

--Requiring service providers to maintain logs showing time spent serving each client.

--Using program questionnaires to obtain information from all clients.

--Using monitors to validate, on a selected sample basis, the time logs and questionnaire data submitted by clients.

RECOMMENDATION TO THE SECRETARY OF HHS

We recommend that the Secretary direct HHS regional offices to encourage States that authorize persons to hire their own service providers to have a system that monitors the quality of services provided and assures that the required hours of service are delivered.

AGENCY COMMENTS AND OUR EVALUATION

HHS concurred with our recommendation and stated that, on the basis of the results of the Management Improvement Initiative study, HHS expects specific recommendations will be presented to States for improving their monitoring capabilities.

METHODOLOGY FOR SELECTING SAMPLES OF CONTRACTS REVIEWED

The method used to select our samples of contracts in States reviewed depended on the nature of their contracting activities. In summary, we used a judgmental sample of contracts in each State to evaluate the policies and practices under which title XX social services were purchased. The basis for this sample in each State follows.

CALIFORNIA

This State primarily contracted for two types of social services--in-home supportive services and child day care. Contracts for in-home supportive services were awarded by various county public social services agencies, while those for day care were awarded by the State Department of Education.

In-home supportive services

The State did not have a comprehensive list of all the contracts for in-home supportive services awarded by various county public social services agencies. Therefore, we judgmentally selected four counties for our review. We selected San Francisco and three adjacent counties to review all the contracts that were active during the counties' current program year.

Day-care services

We reviewed the two largest day-care contracts awarded by the State Department of Education in the four counties selected for review.

MARYLAND

All title XX contracts were awarded by the State title XX agency in Maryland. This State contracted for various social services and had a list of all contracts awarded during fiscal year 1979. We judgmentally selected 10 contracts for review from this list. In selecting our sample, we considered the dollar value of the contracts and the types of services purchased. The largest contracts awarded by the State were generally selected for review. However, certain smaller contracts were selected in order to review the wide range of contracted social services.

NEW MEXICO

All title XX contracts were awarded by the State title XX agency in New Mexico. The State contracted for most of the services provided under the title XX program. We selected three counties for our review. Two of the counties were selected because they included the State's two major cities. The third was selected because it was a rural county. We reviewed the most significant contracts awarded in the counties selected for review.

NEW YORK

Most of the title XX contracts in New York were awarded by local public social services agencies. The greatest volume of contracting occurred in New York City, and we selected this area for our review. New York City primarily used contracts to purchase three types of services--homemaker/housekeeping services, child day care, and group social services for senior citizens. We selected the two largest contracts awarded for each type of service for review.

NORTH CAROLINA

County public social agencies awarded most title XX contracts in North Carolina. We judgmentally selected two counties with the largest and fifth largest social services programs. The counties awarded relatively few contracts, and these were awarded for a variety of services. We reviewed all the contracts awarded in the counties selected for review.

SUMMARY DATA ON CONTRACTS REQUIRING

A GENERAL LEVEL OF EFFORT

State	Contract	Services purchased	Number of clients to receive services (note a)	Contract amount
New Mexico	A	Substance abuse	198 daily	$429,000
	B	Substitute care	23 daily	287,000
		Counseling	30 monthly	
	C	Youth services	1,650 yearly	164,000
		Protective services	1,650 yearly	
	L	Chore	1,100 yearly	120,000
		Homemaker	100 yearly	
	E	Adult day care	75 daily	117,000
		Homemaker	40 monthly	
		Chore	30 monthly	
	F	Chore	60 monthly	81,000
		Counseling	30 monthly	
		Youth services	30 monthly	
	G	Adult day care	14 daily	80,000
	H	Adult day care	60 monthly	60,000
		Chore	35 monthly	
		Homemaker	25 monthly	
	I	Chore	175 yearly	40,000
	J	Adult day care	12 monthly	35,000
Maryland	A	Information and referral	31,620 yearly	947,000
		Legal aid	5,772 yearly	
	B	Health related	5,580 yearly	788,000
		Service to adults in institutions	550 yearly	
		Homemaker/chore	230 yearly	
	C	Services to families	3,570 yearly	$721,000
		Community home care	1,786 yearly	
	D	Supportive services	94,780 yearly	180,000
	E	Services to juveniles	312 yearly	156,000
	F	Services to families	176 yearly	148,000
		Homemaker/chore	128 yearly	
	G	Information and referral	17,000 yearly	119,000
North Carolina	A	Various services	1,833 yearly	105,000
	B	Various services	3,810 yearly	98,000
	C	Housing referral and counseling	500 yearly	69,000
	D	Day care and protective services	b/50 yearly	56,000
	E	Personal and family services	1,080 yearly	36,000
New York	A	Social group services	(c)	1,422,000
	B	Social group services	(c)	977,000
Total				$7,235,000

a/Contracts did not indicate the level of service each client was to receive.

b/Number of families to be served.

c/Not indicated.

SUMMARY DATA ON CONTRACTS BASED ON UNIT PRICES

State	Contract	Services purchased	Unit price (note a)	Contract amount
California	A	622,000 hours homemaker services	$8.90	b/$5,123,000
	B	577,000 hours chore services	5.15	2,800,000
		65,000 hours homemaker services	4.41	
	C	216,000 hours homemaker services	7.05	b/1,144,000
	D	144,000 hours chore services	6.08	b/1,096,000
New York (note c)	A	800,000 hours homemaker services	6.68	5,344,000
	B	436,800 hours housekeeping/chore services	4.50	1,901,000
Maryland	A	37,920 day-care days--chronically ill	16.00	732,000
	B	5,618 evaluations	23.00	428,000
		11,236 detoxifications	18.00	
	C	18,644 day-care days--mentally retarded	16.00	303,000
New Mexico	A	d/Child day care	e/5.00 to 34.00 per day	290,000
	B	d/Child day care	e/5.00 to 34.00 per day	161,000
Total				$19,322,000

a/Most recent unit price. Some unit prices have changed since the basic contract was awarded because of changes in the minimum wage or because of contract amendments which have extended the contract period.

b/Contract amount is for services during more than 1 fiscal year because of contract amendments.

c/Contract costs could be charged to either the social services or Medicaid programs.

d/Contract only specified reimbursement rates for various age groups of children.

e/Reimbursement rates depended on age group served.

SUMMARY DATA ON CONTRACTS REQUIRING A SPECIFIC LEVEL OF EFFORT

State	Contractor	Services purchased	Specific level of effort required	Contract amount
California	A	Child day care	1,440 children daily	$4,429,000
	B	Child day care	268 children daily	733,000
New York	A	Child day care	276 children daily	903,000
	B	Child day care	287 children daily	747,000
North Carolina	A	Homemaker services	32,943 hours	138,000
	B	Meals	194 meals per day	92,000
	C	Meals	15,840 meals	27,000
Total				$7,069,000

APPENDIX IV

APPENDIX V

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

REFER TO:

OFFICE OF THE INSPECTOR GENERAL

MAY - 7 1980

Mr. Gregory J. Ahart
Director, Human Resources
Division
United States General Accounting
Office
Washington, D. C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Actions Needed by HEW and States to Overcome Problems in Administering the Title XX Program." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Richard B. Lowe III
Acting Inspector General

Enclosure

Comments of the Department of Health, Education, and Welfare
on the General Accounting Office Draft Report
"Actions Needed by HEW and States to Overcome Problems in
Administering the Title XX Program"

GAO Recommendation

The Secretary of Health, Education, and Welfare should direct HEW regional offices to encourage the States to use contracts based on unit prices or specific levels of services to purchase social services under the title XX program. The regional offices should also be directed to provide the States technical assistance to develop reasonable units of measurement for the various services.

Department's Comments

We concur. The Administration for Public Services, which administers the title XX program, has developed a draft Title XX Guide to FFP. This Guide is designed to assist Federal and State staffs in interpreting the title XX regulations. A section of this Guide discusses title XX procurement standards, including requirements for determining the number of service units and contract price. The Guide is now in the final clearance process, with an expected publication date of May, 1980.

In addition, APS is currently developing a handbook to assist States in managing their purchase of service programs. The handbook will include "how-to-do-it" methods for meeting the purchase of service requirements discussed in the FFP Guide. The handbook will also deal with methods for determining service units, rate-setting and contract pricing.

Finally, the APS Management Improvement Initative will review purchase of service procedures in selected States with a goal of identifying and correcting management problems through the provision of technical assistance. One of the areas to be studied is the process followed in negotiating and setting rates of payment.

GAO Recommendation 1/

We recommend that the Secretary of Health, Education, and Welfare amend the regulations governing the use of certified expenditures for matching purposes to assure that only valid project costs are certified for matching purposes. The regulations should prohibit a State from using, as certified expenses, costs that are not included in a contractor's budget for a title XX contract.

1/This recommendation is no longer in the report because the instruction in the recently issued HHS Guide to Federal Financial Participation under Title XX now provides guidance to the States as to the allowability of public agency certified expenditures. This guidance, coupled with indepth reviews of the State cost allocation plans should help to preclude the improper charging of certified expenditures to the title XX program.

APPENDIX V

Department's Comments 1/

We do not concur. We believe the regulations both 45 CFR 228.53 and 45 CFR 74 taken together clearly identify both the conditions and methods to be observed in computing and certifying expenditures incurred by other public agencies under title XX. These regulations specify that such expenditures must be assignable and beneficial to the title XX program. If they meet these conditions they would be recognized along with other non-Federal expenditures as a matching source. Furthermore, in our soon to be released Guide to FFP under title XX we are making it clear that expenditures certified by another public agency may be used as a non-Federal matching source provided they are documented costs and incurred under a purchase of service or administrative support agreement with that public agency.

Also, we do not agree with the recommendation that certified expenditures of a public agency should be included in the budget of a private contractor. Our regulations are written to assure that donations and certified expenditures as matching sources do not become conditions of a purchase of services contract. It should be of no concern to the provider what resources the agency uses to pay for services provided. Title XX reimburses States, except for family planning and day care, at a rate of 75 percent for total expenditures and not on the basis of individual services or contracts. Our concern is that all expenditures reported under title XX are consistent with the regulations and that at least 25 percent of such expenditures are incurred from non-Federal sources in a matter consistent with 45 CFR 228.53 and 228.54. It would not only be burdensome to attempt to compute the Federal/State shares of each service or contract but would be impractical in view of the fact that the allotment ceiling in most States effectively reduces the rate of matching to something less than 75 percent.

With reference to New Mexico, specifically, you should know that although we disagree with GAO's proposal that certified public agency expenditures be included in the budget of private contractors we have recognized the need for the State to more clearly document that certified expenditures were authorized, beneficial, and covered by a contract. Our regional office called this documentation problem to the State's attention in early 1977 and requested a corrective action plan. They are working with the State to assure implementation of that plan.

GAO Recommendation

The Secretary of Health, Education, and Welfare should direct HEW regional offices to encourage States that authorize persons to hire their own service providers to have a system to monitor the quality of services provided and and to assure that the required hours of service are delivered.

1/See footnote 1 on previous page.

APPENDIX V

Department's Comments

We concur. While regional offices normally encourage States to improve their monitoring of purchase of services contracts, including the example cited, we expect that as a result of the review being undertaken in the Management Improvement Initiative, specific recommendations will be presented to the States for improving their monitoring capabilities.

GAO Recommendation 1/

The Secretary of Health, Education, and Welfare should direct New York to comply with Federal regulations which prohibit the charging of costs of providing housekeeping services which are not prescribed by a physician in accordance with a plan of treatment to the Medicaid program. In addition, the Secretary should recover those funds that have been improperly charged to the Medicaid program.

Department's Comments 1/

We do not concur. Current regulations do not clearly convey the intent that the personal care services regulation (42 CFR 440.170(f)) is to provide medically-related services directly to patients in their homes, as opposed to just chore and housekeeping services. Because of this lack of clarity the regulation will need to be amended before corrective action can be taken. The Department is now preparing pertinent regulations which will outline the intent and scope of the personal care services benefit.

1/This recommendation and the Department's comments relate to an issue that is no longer in the report and is being further analyzed by GAO. The issue will be reported on at a later date.

DHR DEPARTMENT OF HUMAN RESOURCES
STATE OF MARYLAND 1100 NORTH EUTAW STREET BALTIMORE, MARYLAND 21201

OFFICE OF PROGRAM PLANNING AND EVALUATION TELEPHONE 383-5647

April 29, 1980

Mr. Gregory J. Ahart
Director
General Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

Secretary Hettleman has asked me to respond to your letter of April 1 in which you request comments on the GAO draft report entitled Actions Needed by HEW and States to Overcome Problems in Administering the Title XX Program.

The basic finding related to Maryland is that in some of the contracts reviewed, the level of service was not specified (NOTE: level means unit of service such as 8 hours of day care or an hour of counseling). We have no disagreement with this finding only the emphasis which is given to it and the fact that the report fails to highlight the fact that there is no legal requirement that levels of service be specified. Therefore, the State is not out of compliance with law but rather does not met a GAO specified criteria. Since the inception of Title XX and prior to that time under Title IVA, HEW has never either orally or in writing provided this state with any instructions or guidance on this issue.

The Department is continually looking for new management techniques and ways to improve the efficiency and effectiveness of programs. However, as you know, the resources which are allocated for management reduce the allocations for service. We now are faced with an overall reduction in Title XX funds which will mean less service to clients. While in an era of diminishing resources, we will continue to look at ways to enhance the effective management of our programs but we must place a priority on direct service provision.

Sincerely,

Geraldine Aronin
Assistant Secretary
Program Planning and Evaluation

GA:snd

cc: Buzzy Hettleman
Bill Benton
Ruth Massinga

KALMAN R. HETTLEMAN Secretary HARRY HUGHES Governor BILL B. BENTON Deputy Secretary

BRUCE KING
GOVERNOR

STATE OF NEW MEXICO
GOVERNOR'S CABINET
HUMAN SERVICES DEPARTMENT
SANTA FE, NEW MEXICO 87503

OFFICE OF FINANCIAL MANAGEMENT

LAWRENCE B. INGRAM
SECRETARY

September 19, 1980

Mr. Gregory J. Ahart
Director
General Accounting Office
Human Resources Division
Washington, D.C. 20548

ATTN: Mr. Benedetto Quattrochiocchi

Dear Mr. Ahart:

This will confirm our recent telephone conversation with regard to the draft of your proposed report to the United States Congress relating to the Title XX Program.

As I indicated to you, there were several areas which concerned us because we are a rural, sparsely populated state. In accordance with your request, we have attempted to restrict the unauthorized reproduction and distribution of your draft report.

In general, we concur that the program should be re-evaluated by the administration and the U.S. Congress. It would behoove the policy makers to re-evaluate the entire federal/state partnership as it relates to matching ratios, donor agreements, and other program goals and objectives.

Since the initial review and evaluation of the programs by your auditors, we are pleased to inform you that the Department has made substantial improvements in both the program and financial management of our Social Services Programs. It is our intent to continue our endeavors to resolve the various issues and problems and perhaps avoid future mistakes.

We wish to take this opportunity to thank you and members of your staff for the many courtesies extended to us during your period of review.

Sincerely,

Benjamin H. Gallegos
Chief, OFM

cc: Lawrence B. Ingram, Secretary
Department of Human Services

STATE OF NORTH CAROLINA
DEPARTMENT OF HUMAN RESOURCES
325 NORTH SALISBURY STREET
RALEIGH 27611

JAMES B. HUNT, JR.
GOVERNOR

SARAH T. MORROW, M.D., M.P.H.
SECRETARY

TELEPHONE
919/733-4534

April 30, 1980

Mr. Gregory J. Ahart, Director
Human Resources Division
U. S. General Accounting office
Washington, D.C. 20548

Dear Mr. Ahart:

Re: B-195355 Actions needed by HEW & States to overcome problems in administering the Title XX Program

We received on April 14, 1980, the draft report to the Congress concerning the administration of the Title XX Program. We appreciate being given the opportunity to review this material and offer the following comments for your consideration.

The focus of our comments regarding this draft report is on our differing opinions of the meaning of the fifth paragraph in 45 CFR 228.70 relative to procurement standards. This portion of 228.70 requires that contracts must "provide:

- for a stated number of units of service at a specific dollar rate, or
- for a specific dollar amount, or
- for costs to be determined in accordance with acceptable cost allocation methods."

Contracts must provide for one of the three bases for payment described above, and it is clear that only the first option requires the number of units to be included in the contract. In several places in the draft report, the term "level of services" is mentioned. From the context, we have assumed that this means the number of units of service and have prepared our comments accordingly.

With this background in mind, we wish to address specific portions of the report as outlined below:

1. Page 6 of the report includes a statement to the effect that contracts were found to be deficient because they did not

specify level of services that contractors were to deliver. We take issue with this statement on the basis that regulations do not necessarily require that the number of units of services be specified in contracts. We have several cost reimbursement contracts and do not require a statement as to the number of units to be provided. We do, however, include a maximum dollar amount of Title XX funds to be reimbursed to the provider for the payment of allowable costs incurred in the delivery of services to eligible clients. Moreover, our contracts include projections as to the number of persons planned to be served.

2. Page 5, first paragraph should be revised to accurately reflect the wording of the referenced regulations.

3. Pages 6 and 7 of the draft report include an implication that contracts which do not provide for a stated number of units of services can't be monitored, and therefore, the state agency has no way to judge the contractor's performance. This is a subjective observation to which we have strong objections. We feel that our agency has more than adequate monitoring capability, and that we have through this function been able to get a good handle on the performance of contractors. We believe that the draft report places too much value on inclusion of units of service in the contract.

4. Starting on page 11, the first two sentences of the section about North Carolina accurately describe what we do, which we believe is consistent with existing regulations. Page 12 includes a statement that North Carolina officials said that we did not know what we are buying.1/This was obviously a lack of communication, since our contracts clearly specify what we are buying, and additional information is made available through our monitoring system. What we did indicate was that in the case of multi-service providers which deliver several soft, caseworker services through the same personnel, we could not clearly identify the separate costs of each of these soft services.

5. On page 15, the first sentence states that those contracts which specified levels of services in terms of units of service were not monitored to assure contract compliance. We assume that you intended this sentence to mean that these contracts were not monitored to assure contract compliance with these levels prior to monthly reimbursement. If this is what you intended to say, we agreed with the statement to the extent that it begins to describe our approach to monitoring programs. To accurately present our system, the report should indicate that monthly reimbursement and monitoring are separate functions in North Carolina. Monthly reimbursement is made based on billings prepared by contractors. Monitoring for all phases of contract compliance is based on on-site reviews of programs and their records. We believe this approach of reviewing source documentation rather than billings prepared by the contractor provides a more valid basis for assuring contract compliance.

1/Statement referred to regarding North Carolina officials has been deleted from the report.

Our comments should not be construed to mean we do not support efforts to gain better definitions of units of service or to develop management systems to gain accurate and timely information with respect to service provision. We are, in fact, by our own initiative attempting to address many of the issues indicated in the GAO report. However, we would take issue with the assertion that definition of units of service would seem to be the primary action needed by states to overcome problems in administering the Title XX program.

We would sincerely appreciate your review of our comments and their incorporation into the report to be issued to Congress. We would like to request a copy of the final report upon its completion. Again, we are appreciative of the opportunity for prior review and comment.

Sincerely,

Sarah T. Morrow, MD

Sarah T. Morrow, M.D., M.P.H.

STM:cb

GAO note: Page references in the North Carolina comments have been changed to correspond to the page numbers in this report.

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